

GOVERNMENT OF PUERTO RICO
TELECOMMUNICATIONS REGULATORY BOARD
OF PUERTO RICO

Office of the President

May 8, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

RE: CC Docket Nos. 96-45, 97-160

Dear Madame Secretary:

I am filing the economic model selection for the Telecommunications Regulatory Board of Puerto Rico. This document is filed to be in compliance with FCC 97-157.

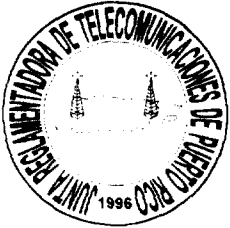
In accord with FCC guidelines, I am submitting an original with four copies.

Sincerely,

Phoebe Forsythe Isales
President of the Board

cc: Veronica Ahern

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May 8, 1998

FCC Common Carrier Bureau
1919 M Street, NW
Washington, DC 20554

447 2 8 1998

To whom it may concern:

In accordance with the option granted state commissions in the Universal Service Order, FCC 97-157, at paragraph 248, the Telecommunications Regulatory Board of Puerto Rico hereby notifies the FCC of its model selection and the specific modeling results.

After considerable review of the criteria established by the FCC, Universal Service Order at paragraph 250, the Board has adopted the Benchmark Cost Proxy Model, BCPM 3.0 as a methodology that satisfies the FCC criteria.

Based upon the specific input values established for Puerto Rico, the total aggregate annual support for Puerto Rico derived from the model is \$190,972,908.00. This amount reflects the \$31 residential and \$51 business benchmark tentatively established by the Commission.

The Board has made six types of input changes to the BCPM default values. These inputs were changed in the BCPM model in order to model specifically Puerto Rico's unique service characteristics. Progressing in order as they appear in the BCPM model input spreadsheet, the changes are as follows:

1. **ARMIS Percent Local Calls and ARMIS Percent Toll Calls:** These inputs were changed from the defaulted 81% and 19% to **54%** and **46%** respectively. This reflects the percentage of local calls based on a six month average DEM usage study conducted from January to June 1996.
2. **ARMIS Percent Residence Lines and ARMIS Percent Business Lines:** These inputs were changed from the defaulted 67.45% and 32.55% to **74.05%** and **25.95%** respectively.

3. **5 Share and DMS Share:** These inputs are defaulted as a 50%/50% split. Based on the technology employed in Puerto Rico, this allocation was changed to a **2%/98%** split in favor of the DMS switch.
4. **Pairs Per Business Location:** This input is defaulted to set the minimum number of cable pair per business location to 6. To produce a scenario more characteristic of Puerto Rico the minimum was set at **2**.
5. **Support Table Ratios:** The changes made in this table were based on expense data supplied by the incumbent LEC, PRTC, and audited by Ernst & Young dated 6/11/97. The changes in each specific account are as follows:

<u>Acct.</u>	<u>Category</u>	<u>Default</u>	<u>Variable Used</u>
6112	Motor Vehicle	0.739%	1.2507%
6114	Special Purpose Vehicle	0.001%	0.0001%
6115	Garage	0.032%	0.0037%
6116	Other Work Equipment	0.627%	0.7976%
6122	Furniture	0.233%	0.5723%
6123	Office Support	0.701%	0.6517%
6124	Computers	2.965%	2.5101%

6. **Per Line Monthly Operating Expenses for Small, Medium and Large Companies:** The changes made in this table were based on 90 percent of expense data taken data supplied by PRTC, and audited by Ernst & Young dated 6/11/97. The figures entered in each account in the Fixed Cost per Line Table were the same for Small, Medium and Large companies as well for both Residence and Business lines. The changes in each specific account are as follows:

<u>Acct.</u>	<u>Category</u>	<u>Default</u>	<u>Variable Used</u>
6110	Network Support Expense	\$0.15	\$0.15
6120	General Support	\$1.20	\$4.69
6210	COE Switching	\$0.34	\$1.79
6230	COE Transmission	\$0.23	\$1.31
6310	Information Orig/Term	\$0.07	\$0.20
6411	Poles	\$2.76	\$0.13
6421	Aerial Cable	\$0.00	\$3.41
6422	UG Cable	\$0.00	\$0.60

6422	UG Cable	\$0.00	\$0.60
6423	Buried Cable	\$0.00	\$1.09
6441	Conduit Inv.	\$0.00	\$0.00
6510	Other Property Plant	\$0.03	\$0.12
6530	Network Operations	\$1.33	\$3.73
6610	Marketing	\$0.35	\$0.75
6620	Services	\$2.42	\$3.39
6710	Exec. and Planning	\$0.14	\$0.35
6720	General and Admin.	\$2.15	\$4.37
6790	Uncollectibles	\$0.17	\$0.00

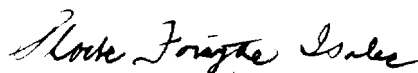
Since these changes constitute all changes currently approved by the Board, we do not find it efficient to send copies of the BCPM output or copies of the input spreadsheets. If you wish to have an electronic version of our approved model, please notify us and we will comply with your request.

The Board reserves the right to make additional changes and modifications to the inputs used for determining Puerto Rico support as changes to the models and changes to the default values are made in the future.

We submit this report with misgivings. Our review of the models indicates that the models are not yet ready to provide a proper foundation for public policy. However, despite our misgivings, the FCC requirement to submit cost studies is upon us.

We would be glad to discuss these numbers with you at your convenience.

Sincerely,



Phoebe Forsythe Isales
President of the Board